

VZCZCXRO2073

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ
RUEHPW RUEHROV RUEHVK RUEHYG
DE RUEHAH #1403 3650610
ZNR UUUUU ZZH
P 310610Z DEC 07
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 9947
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 3157
RUEHBJ/AMEMBASSY BEIJING 0972
RUEHKO/AMEMBASSY TOKYO 0846
RUEHIT/AMCONSUL ISTANBUL 1420
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHMFIUU/CDR USCENCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUEHVEN/USMISSION USOSCE 2039

UNCLAS ASHGABAT 001403

SIPDIS

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB
AID/W FOR AA/EE

E.O. 12958: N/A

TAGS: [PGOV](#) [ECON](#) [EFIN](#) [TX](#)

SUBJECT: BERDIMUHAMEDOV DECREES CHANGES TO EXCHANGE RATE,
EMPHASIZES NEED FOR EXCHANGE RATE UNIFICATION

REF: A. ASHGABAT 1230

[1](#)B. ASHGABAT 1129

[1](#)C. ASHGABAT 1251

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (U) At a Cabinet of Ministers meeting on December 27, President Gurbanguly Berdimuhamedov named "wide incorporation of the principles of market economy" as a "priority task" for [1](#)2007. In preparation for achieving a unified exchange rate by 2009 (Ref. A), Berdimuhamedov signed decrees directing the Central Bank to set the unofficial exchange rate at no more than 20,000 manats to the dollar and to increase the official exchange rate from 5,200 to 6,250 manats to the dollar beginning January 1, 2008. (NOTE: Local vendors reacted to this news almost immediately on December 28, exchanging manats for dollars at rates between 19,500 and 20,000 manat per dollar. END NOTE.) Berdimuhamedov also decreed that all Turkmen banks will have exchange booths, which any Turkmen citizen will be able to use, and mandated that the Interbank Currency Exchange -- a wing of the Central Bank -- electronically exchange foreign currency at the official rate for all government funds, companies, agencies and organizations.

[1](#)3. (SBU) COMMENT: That Berdimuhamedov has continued pressing for movement on the exchange rate issue is a good sign, since unification of the two exchange rates will help reduce opportunities for corruption for those in positions that allow them to profit from these circumstances. However, when these reforms take place, a real black market for hard currency likely will develop if access to it is limited. Because the reforms are progressing as they are -- by top-down fiat and with what appears to be limited input from international financial institutions -- it is unclear if government officials are aware of this potential pitfall. We expect Berdimuhamedov to continue to push for gradual merging of the two exchange rates over the coming months, in an

effort to steer clear of the shock that he wants to avoid
(Ref. B and C). END COMMENT.
HOAGLAND